

AR46

**THE
FIDELITY TRUST COMPANY
EST. 1909**



1968 ANNUAL REPORT

THE FIDELITY TRUST COMPANY
Inc. A.D. 1909

BOARD OF DIRECTORS

John Stuart McMahon	Winnipeg, Man.
Neil Cameron Walker Wood	St. Andrews, Man.
Andrew Kingsmill Stephens	Winnipeg, Man.
Richard Wilson Smith	Winnipeg, Man.
James Edward Perkins	Winnipeg, Man.
Roderick Hugh McIsaac	Toronto, Ont.
James Sylvester McGoeys M.D.	Winnipeg, Man.
Edmund Boyd Osler M.P.	Winnipeg & Ottawa, Ont.
John Klassen	Winnipeg, Man.
Donald Savigney Paterson	Winnipeg, Man.
Harvey Allan McDiarmid	Vancouver, B.C.
Richard Noonan	Toronto, Ontario
Frank Luther Ernst	Winnipeg, Man.
Esther Moscovitch Genser	Winnipeg, Man.
Bruce H. Codville	Winnipeg, Man.
Joseph C. Stangl	Winnipeg, Man.

OFFICERS AND EXECUTIVE COMMITTEE

J.S. McMahon	Chairman of the Board
N.C.W. Wood	President and General Manager
R.W. Smith	Vice President
A.K. Stephens	Vice President
J.E. Perkins, LL.B.	Secretary-Treasurer
E.B. Osler, M.P.	Director Exec. Comm.
F.L. Ernst	Director Exec. Comm.

CHARTERED ACCOUNTANTS

Thorne, Gunn, Helliwell & Christenson

FINANCIAL HIGHLIGHTS

	1968	1967	1966	1965	1964
Total Assets	9,712,772	7,850,467	6,377,884	4,718,384	2,575,605
Gross Income	800,132	585,300	397,518	272,762	108,660
Interest Paid to Depositors	469,998	344,136	250,133	139,362	42,842
Earnings per Share Class "A" and Class "B"	+8½¢	+6¢	+1½¢	-6¢	-2¢
Net Income for the Year	59,664	41,699	8,168	(41,110)	(11,091)
Shareholders Equity	696,736	592,488	516,709	508,541	512,126
Average Number of Employees	32 *	20	17	16	8
Number of Shareholders at Year End	240	175	88	95	79

Includes Real Estate Division *

HEAD OFFICE

291 Garry Street,
Winnipeg 1, Manitoba.

Departments:

Savings & Chequing

Mortgage & Loan

Estate & Agency

Real Estate

BRANCHES

River Heights;
417 Academy Road,
Winnipeg 9, Manitoba.

North Central,
1355 Main Street,
Winnipeg 4, Manitoba



CHAIRMAN'S REMARKS

It is a pleasure to note once again the healthy growth of your Company. We have now reached a position where additional capital could be profitably employed. Steps are being taken by your management to make an offer to our shareholders that may encourage them to supply this need.

Our experience does not indicate that there is any decline in the inclination of many Canadians to save money. There is one type of person who borrows and spends and another who saves and invests. The latter deserves more encouragement from taxing authorities. He is the one who provides the much needed funds for housing and development, both private and public.

Any steps taken by governments to dampen the inflationary spirit will help to discourage the borrowers and encourage the savers. Tax laws more favourable to those who seek income rather than capital gains could also help in this.

Most financial critics, including ourselves in past remarks, have chastised governments for causing inflation by attempting to do too much too quickly and spending beyond our means. There is some hope that politicians are beginning to get the message and to realize that there is a limit to how many special programmes can be carried out at one time. While overspending by governments at all levels has undoubtedly been the prime cause of our inflation, there is another cause that deserves attention, and that is the volume of bank credit.

Since the amendments to the Bank Act, Canadian chartered banks have been adding fuel to the fires of inflation. Unlike the banks in the United States who have not been allowed to raise the rates of interest they pay on certificates of deposit, our banks are offering the highest rates in history for the funds they borrow and they are placing this money into high interest consumer loans. Too much money in this country is going into short term loans instead of into mortgages and government securities.

Our governments are seeking ways to encourage financial institutions to provide funds for housing and the purchase of Government bonds. In as much as the traditional role of trust companies is to supply a large portion of this need, it seems reasonable and in fact urgent to permit us the equivalent rights granted other financial institutions, thus creating a greater degree of competition in all areas of the industry. Your Company believes in the soundness of residential mortgages, especially here in Manitoba, and hopes to continue to have funds available for this type of investment. In so doing we are serving not only our depositors and our shareholders but also the general public who are seeking adequate housing. Hopefully we will be encouraged in this purpose.

I would like to welcome two new directors to your Board, Mr. J.C. Stangl and Mr. B.H. Codville, both of whom bring experience and integrity to your Company, and our thanks go out to all your directors for their interest in the progress of the Company. Their time continues to be given without remuneration.

Your Board records its appreciation to your management and staff for their continuing hard work and satisfactory results.

A handwritten signature in dark ink, appearing to read "J.S. McMahon". The signature is fluid and cursive, with a large initial "J" and a stylized "M".

J.S. McMahon
Chairman of the Board

REPORT
OF THE
PRESIDENT AND GENERAL MANAGER



Dear Shareholder:

It gives me great pleasure to present the financial statement of your Company for the year ending December 31, 1968.

Once again great strides were made and new highs recorded. Total assets increased by 25% to 9.7 million and gross income increased by 37% to \$800,000. The net income at \$60,000 is 44% over 1967 earnings. The cost of money to your Company reached an all time high due to the continued spiral of interest rates, however, the offsetting effect on the mortgage lending rate increased the yield on your Company's mortgage portfolio to 8 $\frac{1}{2}$ % (7 $\frac{3}{4}$ % 1967) and the bond

portfolio to 6% (5 $\frac{7}{8}$ % 1967). Your management anticipates a continued improvement in these yields for the next 12 months.

The operations of the Real Estate Division are included in the general statement this year and whilst this department has not contributed significantly towards the net profit of the Company, it is encouraging to note that sales were recorded in excess of 2.2 million (\$950,000 1967), the earnings being expended in favour of the development of a sound sales organization. The sales figures are indicative of the results.

Your Company are authorized by law to accept deposits up to 15 times the net capital of the Company and as can be seen from the attached financial statement this level has now been reached; it is necessary therefore to increase the capital base.

At a special general meeting of the Company the differential between Class "A" and Class "B" common shares was removed and your management are taking the necessary steps to have the Companies Special Act amended accordingly. In the meantime your Directors have decided to make available treasury shares through the offering of rights to present shareholders, details of which will be announced very shortly.

I would like to take this opportunity of welcoming the many new shareholders who have joined the Company during the past 12 months thus contributing towards the success of the year.

The outlook for 1969 continues to be extremely encouraging.

A handwritten signature in dark ink, appearing to be 'N.C.W. Wood', written in a cursive style. Below the signature is the printed name 'N.C.W. Wood'.

N.C.W. Wood

THE FIDELITY TRUST COMPANY
STATEMENT OF INCOME AND DEFICIT
YEAR ENDED DECEMBER 31, 1968
(With comparative figures for 1967)

	1968	1967
Revenue		
Interest earned	\$ 660,318	\$ 503,182
Real Estate Department	108,322	38,777
Sundry	31,492	43,341
	<u>800,132</u>	<u>585,300</u>
Expenses		
Interest on deposits and investment certificates	469,998	344,136
Salaries and staff benefits	99,102	90,298
Administration	24,733	28,108
Branch Offices	17,714	18,539
Real Estate Department	95,398	29,130
Advertising	6,551	7,829
Depreciation and amortization	4,770	3,873
Sundry	22,202	21,688
	<u>740,468</u>	<u>543,601</u>
NET INCOME FOR THE YEAR (note 4)	59,664	41,699
Deficit at beginning of year	85,367	145,066
	25,703	103,367
Transfer of reserve		18,000
DEFICIT AT END OF YEAR	<u>\$ 25,703</u>	<u>\$ 85,367</u>

1967 Figures have been restated to be comparable.

THE FIDELITY
(Incorporated by special

BALANCE SHEET
(with comparative figures)

ASSETS	1968	1967
Cash	\$ 485,263	\$ 233,654
Bonds, at cost		
Canadian and Provincial Government guaranteed	\$ 1,820,379	
Municipal	47,058	
Corporate	<u>760,243</u>	
(Quoted market value 1968 - \$2,302,800; 1967 - \$1,767,100)	2,627,680	2,019,789
Accrued interest	37,381	27,788
Stocks, at cost (quoted market value 1968 - \$26,050; 1967 - \$4,310)	28,344	4,296
Advances to estates, trusts and agencies	4,207	2,902
Collateral Loans	49,997	21,416
Accounts receivable	22,090	23,402
Mortgages, including accrued interest	6,418,678	5,487,802
Prepaid expenses	2,953	3,207
Investment in and advances to affiliated company (note 1)	10,100	3,048
Mineral rights, at nominal value	1	1
Furniture, fixtures and leasehold improvements, at cost less accumulated depreciation and amortization	<u>26,078</u>	<u>23,162</u>
	<u>\$ 9,712,772</u>	<u>\$ 7,850,467</u>
ESTATES, TRUSTS AND AGENCIES, assets under administration	<u>\$ 363,638</u>	<u>\$ 447,335</u>

TRUST COMPANY
of the Manitoba Legislature)

DECEMBER 31, 1968
as at December 31, 1967)

	LIABILITIES	1968	1967
Deposits		\$ 2,122,814	\$ 2,214,192
Investment certificates		6,860,987	4,948,228
Bank advances			64,000
Accounts payable and accrued liabilities		26,112	22,663
Deferred revenue		6,123	8,896
		<u>9,016,036</u>	<u>7,257,979</u>

SHAREHOLDERS' EQUITY

Capital stock (note 2)			
Authorized			
1,000,000 Class A common shares, par value			
\$1 each			
1,000,000 Class B common shares, par value			
\$1 each			
Issued			
35,690 Class A shares (5,210 shares issued			
during the year for cash)	35,690		30,480
675,775 Class B shares (32,000 shares issued			
during the year for cash)	675,775		643,775
	<u>711,465</u>		<u>674,255</u>
Contributed surplus	10,974		3,600
Deficit	(25,703)		(85,367)
	<u>696,736</u>		<u>592,488</u>
		\$ <u>9,712,772</u>	\$ <u>7,850,467</u>

LONG-TERM LEASES (note 3)

ed by the Board

Director

Director

THE FIDELITY TRUST COMPANY
STATEMENT OF CONTRIBUTED SURPLUS

YEAR ENDED DECEMBER 31, 1968
(With comparative figures for 1967)

	<u>1968</u>	<u>1967</u>
Balance at beginning of year	\$ 3,600	
Add premium on shares issued	<u>9,042</u>	\$ <u>7,620</u>
	12,642	7,620
Deduct share issue expenses	<u>1,668</u>	<u>4,020</u>
BALANCE AT END OF YEAR	\$ <u>10,974</u>	\$ <u>3,600</u>

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 1968.

1. INVESTMENT IN AND ADVANCES TO AFFILIATED COMPANY

During the year the company purchased 5,100 common shares of Comcheg Services Limited for \$5,100 and sold its interest in Fidelity Mortgage Investment Ltd.

2. CAPITAL STOCK

Class A common shares rank in parity with Class B common shares except the holders thereof shall have only one vote for each ten shares held.

3. LONG-TERM LEASES

The company rents premises under long-term leases. The annual rentals, exclusive of taxes, utilities and other occupancy expenses, are

1969	\$ 15,240
1970	\$ 13,440
1971 to 1974	\$ 11,640 per year

4. INCOME TAXES

No provision for income taxes is required for the year as a result of the application of previous years' losses against the current year's income. Taxes otherwise payable for the year would have been \$10,637.

Losses of 2,828 remain deductible in determining income taxes in future years.

AUDITORS' REPORT

To the Shareholders of
The Fidelity Trust Company

We have examined the balance sheet of The Fidelity Trust Company as at December 31, 1968 and the statements of income and deficit and contributed surplus for the year then ended. Our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances.

In our opinion these financial statements present fairly the financial position of the company as at December 31, 1968 and the results of its operations for the year then ended, in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Thorne, Gunn, Helliwell & Christenson

Winnipeg, Canada
January 24, 1969

Chartered Accountants

INTERIOR VIEW OF OUR NORTH CENTRAL BRANCH
1355 MAIN STREET
WINNIPEG, MANITOBA



THE REAL ESTATE DIVISION LOCATED AT
417 ACADEMY ROAD, WINNIPEG

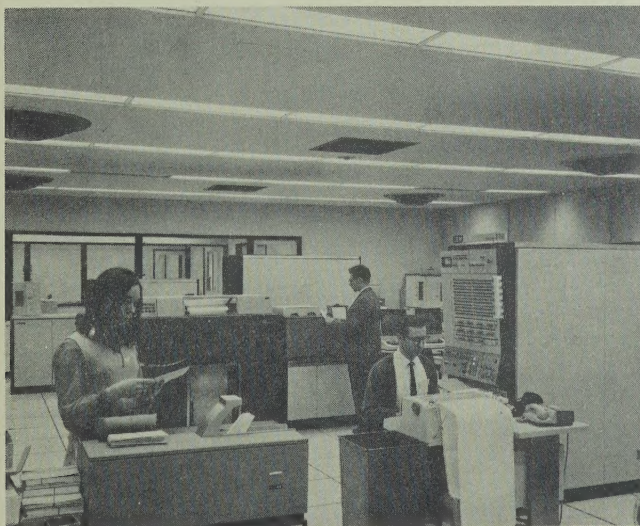


FIDELITY HAS 1000 MORTGAGE LOANS IN METRO WINNIPEG. APPROXIMATELY 85% OF THESE ARE RESIDENTIAL AND THE BALANCE COMMERCIAL OR MULTI-FAMILY.

HERE IS AN EXAMPLE OF A RESIDENTIAL MORTGAGE LOAN.



YOUR COMPANY ARE EXAMINING THE APPLICATION OF THE COMPUTER AND NOW OFFER A COMPLETE PAYROLL PREPARATION SERVICE THROUGH AN ASSOCIATE, COMCHEQ SERVICES LIMITED. THIS PICTURE ILLUSTRATES THE PREPARATION OF SUCH A PAYROLL UTILISING AN IBM 360.65.



Notes

